

The health insurance landscape has begun to change, and pursuant to the Patient Protection and Affordable Care Act (ACA) the health insurance industry will shift even further away from the current market conditions. This is not necessarily a bad thing, and in theory, the insurance marketplace in Illinois could improve and provide better benefits on a more efficient basis.

The ACA requires that an operational Exchange be in effect in each state by January 1, 2014. This Exchange will open up a new insurance marketplace for those individuals and small businesses to purchase health insurance and/or access benefits. The question as to whether the Exchange will improve the insurance market or be detrimental to its current operation is critical if the Exchange has any chance of succeeding.

If the Exchange competes with the external insurance marketplace, and assuming that the external marketplace has a more diverse population of policyholders, the Exchange could be left with a population of sick, older and desperate individuals needing health insurance. The external market would be thriving and the pool of insureds would be spread over a manageable risk of healthy and the marginally ill with perhaps a small population of very sick policyholders. I believe that if an Exchange is going to be operational by 1/1/2014 then it must have a level playing field with the external marketplace.

It may not be necessary to have the Exchange and the external market if all rates and plan availability is identical. If you market and promote the Exchange as being better than the “outside” market, you will eventually destroy what currently is a fairly healthy insurance marketplace. I do believe, however, that there should be two distinct divisions of the Exchange: First, an Exchange for individuals to purchase insurance with enough options to provide a healthy choice; and second, an Exchange for small business to purchase employee benefits. I do **not** believe they should be combined as they are characteristically built on two distinct underwriting platforms. There should be two separate risk pools, and if the two Exchanges were combined there would be no advantage for the small business to join the exchange. In that case, the business owner might as well let his employees purchase insurance on their own.

Critical to the operations of the Exchange is the inclusion of the agent/broker community in order to remain the insurance expert for the consumer shopper. Currently, I help clients navigate their way through a very complicated insurance world with many options, benefits, underwriting issues, pricing and a host of other concerns that the general consumer has a great deal of difficulty comprehending. The broker is critical to the success of the new Illinois market in whatever shape it ultimately becomes. It will undoubtedly become more complex and much more difficult for consumers to determine the type of plan that may or may not be right for them. Currently, they look to their agent/broker to guide and recommend the right path for their particular and often unique situation.

Changing the insurance landscape to one with the characteristics that the Exchange will provide should enable that Exchange to become the healthy insurance marketplace that it needs to be. Sufficiently large risk pools will spread the risk evenly over the underwriting chase; thus, cutting down the possibility of the adverse death spiral which might occur if our chase had too much weight on one end. It would tip over with the obvious results. If the Illinois exchange is going to succeed, then all the stakeholders need to be part of the planning and implementation.

Let's make Illinois the model for the nation to emulate. Do it right and it will succeed. Do it half-heartedly and it will crash and burn.

Thank you for your time and consideration.

Mitchell S. Palmer,RHU,CBC